



6450-01-P

DEPARTMENT OF ENERGY

Western Area Power Administration

Desert Southwest Customer Service Region Network Integration Transmission Service and Ancillary Services-Rate Order No. WAPA-175

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of Proposed Formula Rates for Network Integration Transmission Service and Ancillary Services.

SUMMARY: The Western Area Power Administration (Western) Parker-Davis (P-DP) and Pacific Northwest-Pacific Southwest Intertie (Intertie) Projects' Network Integration Transmission Service (NITS) formula rates under Rate Schedules PD-NTS3, INT-NTS3 and Western Area Lower Colorado Balancing Authority's (WALC) Ancillary Services formula rates under Rate Schedules DSW-SD3, DSW-RS3, DSW-FR3, DSW-EI3, DSW-GI1, DSW-SPR3, and DSW-SUR3 expire on September 30, 2016. Western is proposing modifications to the existing formula rate schedules and adding two new rate schedules, referred to as Transmission Losses Services (DSW-TL1) and Penalty Rate for Unreserved Use of Transmission Service (DSW-UU1). Western will prepare a brochure that provides detailed information on the proposed formula rates. If adopted, the proposed formula rates, under Rate Schedules PD-NTS4, INT-NTS4, DSW-TL1, DSW-UU1, DSW-SD4, DSW-RS4, DSW-FR4, DSW-EI4, DSW-GI2, DSW-SPR4, and DSW-SUR4 will become effective October 1, 2016, and will remain in effect through September 30, 2021, or until superseded. Publication of this Federal Register notice (FRN) begins the formal process for the proposed formula rates.

DATES: The consultation and comment period begins today and will end [INSERT DATE 90

DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]. Western will present a detailed explanation of the proposed formula rates and other modifications addressed in this FRN at a public information forum that will be held on March 30, 2016, from 10 a.m. to no later than 12 p.m. MST. Western will accept oral and written comments at a public comment forum that will be held on March 30, 2016, from 1 p.m. to no later than 3 p.m. MST. Western will accept written comments any time during the consultation and comment period.

ADDRESSES: The location for both the public information forum and the public comment forum is the Western Area Power Administration, Desert Southwest Customer Service Regional Office, located at 615 South 43 Avenue, Phoenix, Arizona, 85009. Send written comments to Mr. Ronald E. Moulton, Regional Manager, Desert Southwest Customer Service Region, Western Area Power Administration, P.O. Box 6457, Phoenix, Arizona 85005-6457, e-mail moulton@wapa.gov. Written comments may also be faxed to (602) 605-2490, attention: Mr. Scott Lund, Rates Manager. Western will post information about the rate process, as well as comments received via letter, e-mail, and fax, on its Web site at: <http://www.wapa.gov/regions/DSW/Rates/Pages/ancillary-rates-2017.aspx>. Written comments must be received by the end of the consultation and comment period to be considered by Western in its decision process.

As access to Western facilities is controlled, any United States (U.S.) citizen wishing to attend must present an official form of picture identification (ID) such as a U.S. driver's license, U.S. passport, U.S. Government ID, or U.S. Military ID prior to signing into Western. Foreign nationals should contact Western via Mr. Scott Lund, Rates Manager, telephone (602) 605-2442 or e-mail slund@wapa.gov 30 days in advance of the meeting to obtain the necessary form for admittance to Western's Desert Southwest Office.

FOR FURTHER INFORMATION CONTACT: Mr. Scott Lund, Rates Manager, Desert Southwest Customer Service Region, Western Area Power Administration, P.O. Box 6457, Phoenix, Arizona 85005-6457, telephone (602) 605-2442 or e-mail slund@wapa.gov.

SUPPLEMENTARY INFORMATION: Under the existing formula rate schedules approved under Rate Order No. WAPA-151¹, charges are recalculated annually using updated financial and load information, as applicable. The proposed formula rates continue this approach. If adopted, these proposed formula rates will be in effect October 1, 2016, through September 30, 2021. This FRN describes proposed changes to the services referenced below.

TRANSMISSION SERVICES:

Network Integration Transmission Service (Rate Schedule PD-NTS4 and INT-NTS4)

Western proposes no changes to the NITS formula rates on the P-DP and Intertie, but proposes to make minor editorial changes to the rate schedule. Those edits would consist of removing the section setting forth the annual revenue requirements as well as moving the transmission losses language to a new rate schedule. In the future, the revenue requirements will be identified in a separate tracking document posted on Western's Web site, as well as posted on Western's Transmission Services Open Access Same Time Information System (OASIS) Web site for WALC.

Transmission Losses Service (Rate Schedule DSW-TL1)

Western proposes no changes to the existing transmission losses language and application; instead, it proposes moving the loss adjustment sections for each project into a single WALC formula rate schedule. This single WALC formula rate schedule will supersede the language in the existing individual schedules. WALC loss rates were developed in 2004 and are applied in

¹ WAPA-151 was approved by FERC on a final basis on March 5, 2012, in Docket No. EF11-14-000 (138 FERC ¶ 62,198).

three of Western's transmission systems: P-DP, Intertie and Central Arizona Project (CAP).

Creating a single WALC formula rate schedule for transmission losses will ensure consistent language across projects.

Penalty Rate for Unreserved Use of Transmission Service (Rate Schedule DSW-UU1)

Western proposes creating a new formula rate schedule for Penalty Rate for Unreserved Use of Transmission Service. Although charges are already assessed in each transmission rate schedule for any unreserved use of the transmission system, creating a new schedule will allow for consistent treatment across projects.

The proposed charge for unreserved use is two times the maximum allowable rate for the service at issue, assessed as follows: The penalty for a single hour of unreserved use is based on the daily short-term transmission rate. The penalty for more than one instance of unreserved use for any given duration (e.g., daily) increases to the next longest duration (e.g., weekly). The penalty for multiple instances of unreserved use (e.g., more than one hour) within a day is based on the daily rate for short-term transmission service. The penalty for multiple instances of unreserved use isolated to one calendar week is based on the weekly short-term rate. The penalty for multiple instances of unreserved use during more than one week in a calendar month is based on the monthly short-term rate.

A customer that exceeds its reserved capacity at any point of receipt or point of delivery, or a customer that uses transmission service at a point of receipt or point of delivery that it has not reserved, is required to pay for all Ancillary Services provided by WALC and associated with the unreserved use. Customers must pay for Ancillary Services based on the amount of transmission service used and not reserved.

ANCILLARY SERVICES:

Scheduling, System Control, and Dispatch Service (Rate Schedule DSW-SD4)

Western proposes no changes to the Scheduling, System Control, and Dispatch formula rate, but plans to make minor editorial changes to the rate schedule. Those edits would consist of minor changes to the language within the “applicable” section and removing the section setting forth the annual charge. In the future, the annual charge will be identified in a separate tracking document posted on Western’s Web site as well as the WALC OASIS Web site.

Reactive Supply and Voltage Control from Generation or Other Sources Service (Rate Schedule DSW-RS4)

Western proposes no changes to the Reactive Supply and Voltage Control from Generation or Other Sources Service formula rate, but proposes to make minor editorial changes to the rate schedule. Those edits would consist of minor changes to the language within the “applicable” section and removing the section setting forth the annual charge. In the future, the annual charge will be identified in a separate tracking document posted on Western’s Web site as well as the WALC OASIS Web site.

Regulation and Frequency Response Service (Rate Schedule DSW-FR4)

In order to more accurately allocate costs based on cost causation principles, Western is proposing a change to the current load-based assessment of the Regulation and Frequency Response Service (Regulation Service) formula rate. The current load-based assessment is applicable to (1) all load inside WALC and (2) installed nameplate capacity of all intermittent resources serving load inside WALC.

Western is not proposing any changes to the application of the load-based assessment for the load inside WALC. The charge will continue to be one-for-one for each megawatt (MW) of load inside WALC. Western is, however, proposing to modify the one-for-one MW load-based

assessment for the installed nameplate of intermittent resources serving load inside WALC. It would instead include a “variable capacity multiplier” to be applied to the installed capacity for Variable Energy Resources (VER) serving load inside WALC.

The proposed formula rate for Regulation Service is as follows:

$$\text{Regulation Service Formula Rate} = \frac{\text{Total Annual Revenue Requirement for Regulation Service}}{\text{Load inside WALC Requiring Regulation Service (kW)} + (\text{Installed Nameplate Capacity of Wind Generators Serving Load inside WALC} \times \text{Wind Capacity Multiplier (kW)}) + (\text{Installed Nameplate Capacity of Solar Generators Serving Load inside WALC} \times \text{Solar Capacity Multiplier (kW)})}$$

Regulation Service is necessary to provide continuous balancing of resources with obligations and for maintaining scheduled interconnection frequency at sixty cycles per second (60 Hz). Regulation Service is accomplished by committing on-line generation whose output is raised or lowered as necessary, predominantly through the use of automatic generation control equipment to follow moment-by-moment changes in load. The obligation to maintain this balance between resources and load lies with the Transmission Service Provider (TSP) or the Control Area operator who performs this function for the TSP. The TSP must offer this service when the transmission service is used to serve load within its balancing authority area.

Western markets the maximum amount of power from its Federal projects, leaving little flexibility for additional regulation needs within WALC. Connecting VER to the system would result in a significant increase in regulation needs and costs, and present operational constraints in managing the significant fluctuations normally associated with VER. These costs get spread to all customers taking Regulation Service regardless of their ability or inability to influence the condition.

The Annual Revenue Requirement for Regulation Service will not be affected by the inclusion of the multipliers. The proposed change will result in the denominator increasing because more units of capacity will be charged, which in turn will cause the overall Regulation Service charge to be lower. The lower charge will then be allocated to each unit of capacity, thereby lowering the costs incurred by the load and assigning more of the costs for regulating capacity to those customers predominately contributing to the need for Regulation Service.

In order to determine the “variable capacity multipliers”, Western has developed a regulation analysis tool that will allow WALC to determine the hourly impacts of both load and variable energy generation on WALC. The regulation analysis tool focuses on 95 percent (%) of the events where WALC’s Area Control Error limit was exceeded within the 10 minute duration range.

WALC does not have a significant amount of wind or solar generation impacting its balancing authority area and, therefore, does not have sufficient data to perform a thorough analysis at this time. Therefore, Western proposes to assess a wind and solar capacity multiplier of 1.00 or 100%. This number does not change the current denominator, but it allows the denominator to change if and when VER becomes a resource within WALC.

In addition, Western proposes to make minor editorial changes to the Regulation Service rate schedule. Those edits would consist of minor changes to the language within the “applicable” section and removing the section setting forth the annual charge. In the future, the annual charge will be identified in a separate tracking document posted on Western’s Web site as well as the WALC OASIS Web site.

Energy and Generator Imbalance Services (Rate Schedules DSW-EI4 and DSW-GI2)

Western is proposing a change to the off-peak penalty bandwidths for Energy and Generator Imbalance Services (Imbalance Services). The off-peak penalty and bandwidth structure will consist of three deviation bands similar to the on-peak structure. This would coincide with FERC Order 890 guidelines with adjustments for WALC operating conditions. The proposed bandwidths are as follows:

- 1) Off-Peak Hours +/- 0 percent to 1.5 percent of metered load/generation (0 to 4 MW minimum) with no penalty within bandwidth.
- 2) Off-Peak Hours +/- 1.5 percent to 7.5 percent of metered load/generation (4 to 10 MW minimum) with 110 percent return for under-deliveries and 75 percent return for over-deliveries.
- 3) Off-Peak Hours > +/-7.5 percent of metered load/generation (> 10 MW minimum) with 125 percent return for under-deliveries and 60 percent for over-deliveries.

In addition, Western proposes to make minor editorial changes to the Imbalance Services rate schedules. Those edits would consist of minor changes to the language within the “applicable” section and removing the section setting forth the annual charge. In the future, the annual charge will be identified in a separate tracking document posted on Western’s Web site as well as the WALC OASIS Web site.

Operating Reserves Service - Spinning and Supplemental (Rate Schedules DSW-SPR4 and DSW-SUR4)

Western proposes no changes to the Spinning and Supplemental Reserves Service formula rates, but proposes to make minor editorial changes to the rate schedules. Those edits would consist of changes to the language within the “applicable” section and removing the section setting forth the annual charge. In the future, the annual charge will be identified in a separate

tracking document posted on Western's Web site as well as the WALC OASIS Web site.

Legal Authority

Western will hold both a public information forum and a public comment forum. After review of public comments, Western will take further action on the proposed formula rates and other modifications addressed in this FRN, and follow procedures for public participation consistent with 10 CFR part 903.

Western is establishing P-DP and Intertie NITS and WALC Ancillary Services formula rates under the Department of Energy (DOE) Organization Act (42 U.S.C. 7152); the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent enactments, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)) and section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s); and other acts specifically applicable to the projects involved.

By Delegation Order No. 00-037.00A, effective December 25, 2013, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to Western's Administrator; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand, or to disapprove such rates to the Federal Energy Regulatory Commission.

Availability of Information

All brochures, studies, comments, letters, memorandums, or other documents Western initiates or uses to develop the proposed formula rates are available for inspection and copying at the Desert Southwest Customer Service Regional Office, Western Area Power Administration, located at 615 South 43rd Avenue, Phoenix, Arizona 85009. Many of these documents and supporting information are available on Western's Web site at:

<http://www.wapa.gov/regions/DSW/Rates/Pages/ancillary-rates-2017.aspx>

RATEMAKING PROCEDURE REQUIREMENTS

Environmental Compliance

In compliance with the National Environmental Policy Act (NEPA) of 1969, 42 U.S.C. 4321-4347; the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500-1508); and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021), Western is in the process of determining whether an environmental assessment or an environmental impact statement should be prepared or if this action can be categorically excluded from those requirements.

Determination Under Executive Order 12866

Western has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

Dated: January 20, 2016 .

Mark A. Gabriel
Administrator

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